



Raising the Standard?

The Standard Telephone Service Review Group has reported its findings to the Minister

The Review was established by the government in July 1996 as part of its *Better Communications* policy. It was instructed to examine whether, in light of recent and emerging developments in communications technology and the increased demand for more advanced telecommunications services, the definition of the Standard Telephone Service (STS) mandated under the universal service arrangements should be upgraded to accommodate new technologies and minimum service levels.

The Group comprised ten industry and interest group representatives, including those from Telstra, Optus, ATUG, the Australian Consumers' Association and the National Farmers Federation, and was chaired by Jock Given, the Director of the Communications Law Centre.

Methodology

The Group sought to set out the conceptual and factual basis for its work in sufficient detail to ensure its recommendations are relevant and adaptable to the precise legislative framework which will apply from July 1997. The Group's decision-making process, while based primarily on the draft legislation, drew also from the framework proposed in the Bureau of Transport and Communications Economics' (BTCE) *Communications Futures Project Final Report*. The key elements of the process are:

- whether the services are of 'social importance';
- whether the market would provide the services in the absence of regulatory intervention;
- the costs of USO intervention if the services were not otherwise accessible; and
- a cost/benefit analysis of interven-

ing in order to provide the service.

The Group considered there were two essential elements in assessing whether or not a service is of 'social importance'. First, an objective assessment of the current and likely take-up of a service in a place where it is reasonably accessible. Second, a subjective assessment of the importance of the service in meeting the social needs of individuals and the community generally.

Assessing demand

The Group categorised those having concerns about the adequacy of the STS into four categories. Those:

- (i) without access to a STS;
- (ii) with STS access, but with an inadequate voice service;
- (iii) with adequate STS voice, but without fax/data level services; and
- (iv) with STS and fax/data level service, but without higher level services.

Evidence relating to the first two categories was sourced from available material, the views of Group members and the organisations they represented and from those making submissions to the Group.

Assessment of the latter two categories was hampered both by the 'necessarily more speculative nature of demand relating to these services' and general paucity of available data; with the Group relying heavily on data and experience gathered by the BTCE. Generally, the Group referred to the paucity of information available in areas such as the affordability and availability of basic telecommunications services and the take-up of new technologies both within the community generally and amongst relevant geographical, social and economic groups and communities.

With regard to the business and government sectors, the Group noted greater use of data services in the business sector. In rural areas, demand for higher bandwidth services (that is, higher than fax/email) is limited to business and community applications, with most of these centrally located in population centres and therefore less likely to face infrastructure constraints.

More difficult, however, was an estimation of likely demand amongst households. Despite a strong take-up of these services, overall demand is still only predicted to be 15% of the population by 1998. Demand is likely to be proportionally higher in rural areas, where there is a greater proportion of home-based businesses. However, the Group noted disparities in take-up between various socioeconomic groups. Because the BTCE's research indicated that this disparity is not primarily cost-related, it could not be assumed that greater availability of these services on an equitable basis will necessarily spread the benefits of any infrastructure upgrade to lower socio-economic households.

Standard capability?

In the course of considering such electronic services as facsimile, email, access to the Internet electronic commerce and educational applications, the Group concluded that no *single* application has yet reached levels of penetration of households to imply 'social importance'. However, as these and other services can be made accessible through a particular capability, it was considered more useful to focus attention on 'capabilities' rather than particular applications or technologies. The group described a ca-



pability that could deliver these services as 'digital data capability'.

While the Group's policy framework was compiled predominantly from the objectives of the Telecommunications Bill, it also examined approaches to universal service taken in other countries, including the USA, Hong Kong, the UK, the EU, Sweden and New Zealand. The Group considered that the present communications environment demanded a 'cautiously expansive' approach to policy-making:

'expansive, in embracing opportunities and avoiding the later socio-economic costs of not having them widely available at an early stage; cautious, because of the pace and unpredictable nature of technological change and the costs of inaccurately predicting them' (p 166).

In this, the Group was influenced by the views of the US Benton Foundation, which has argued that, in an age where both technology and industry is rapidly changing, the concept of universal service must be seen as a 'moving target' by policy-makers and regulators.

Becoming digital

The Group considered, then rejected, the proposition of prescribing a 9.6 kbps service within the USO as short-sighted and possibly counter-productive. It represented a band-aid solution, diverting funds from Telstra's more technologically powerful FMO upgrade (which is based on a 64 kbps platform) for a lower level capability unable to deliver many emerging services; and its deployment in rural areas (which is where the USO would apply) could be cost-inefficient when compared to emerging wireless and satellite delivery systems.

Instead, the Group called for all Australians to have access to digital data capability - comparable to that offered by ETSI ISDN services - within three years. Noting that Telstra is pres-

ently committed to providing ISDN to 93.4% of the population by 1 July 1997, the Group expressed cautious optimism that, in light of the FMO upgrade, the present carriers' aggressive HFC roll-out, the imminent emergence of a more competitive regime and the array of emerging delivery systems which may be capable of reducing the costs of providing services in likely USO areas, this target was achievable without substantially increasing the current level of USO expenditure.

The Group called for all Australians to have access to digital data capability - comparable to that offered by ETSI ISDN services - within three years.

To determine this, the Group emphasised the importance of policy flexibility, recommending that using the decision-making used in the Report, a carriage service providing this capability should be made a prescribed carriage service from 1 July 1998, unless such a measure is not necessary to achieve the objective. In order to make this assessment, the decision-making process outlined above should again be applied, by which time it is hoped that a greater level of information relating to usage and demand is available (see the final recommendation listed below).

Other recommendations

The Group also recommended:

- a revision by 1 July 1997 of maximum connection times;
- the development of industry codes of practice relating to quality of service, siting of payphones and the provision of customer equipment for those with special needs;
- the inclusion within the USO of a service for the hearing and speech impaired similar to the National

Relay Service, as well as losses incurred in providing payphones in accordance with the recommended code;

- that the USO was an inappropriate mechanism for the furtherance of 'community access point' objectives;
- the USO be subject to a competitive tendering process;
- review in 1998 to determine the necessity of including customer equipment;
- a further review of USO requirements in 2001;
- the Australian Bureau of Statistics enhance its collections relating to the use of information communications technology and services.

Dissent

One Group member, Professor Henry Ergas, issued a brief dissenting report criticising the analysis and findings of the (majority) Report. Ergas' primary criticisms were that the Group:

- overestimated the likely levels of demand for digital data capability services thereby exaggerating the likely levels of demand that would be unmet because of line-speed constraints. Ergas estimated this level of 'suppressed demand' at less than one per cent.
- underestimated the costs of prescribing an digital data capability STS
- wrongly prescribed that there should be a presumption in favour of upgrading the STS

Ergas argued that low-cost solutions for providing ISDN-grade service were not presently available and called for contestable R&D funding to target this issue. Noting that the post 1997 regime may lead to a greater availability of such services in regional areas, he proposed that a further review be conducted prior to 2000.

The Report is available free of charge from the Department of Communications and the Arts (details in the Policy File).□